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TO: R. Roper

DATE: October 23, 1985

FROM: R. Stirlen

SUBJECT: MARLBORO 1986 DIRECT MARKETING BUDGET

Attached please find my recommendation for reducing the Marlboro 1986 budget from the ideal level of \$288.8 million to the current target of level \$240.0 million.

I have reviewed the appropriate changes with Peter Volz and I believe the media and in-store reductions reflect our conversations with Jim Thompson and Vince Buccellato. Clearly, there are alternative ways to cut the budget as outlined in my memo to you of October 22. However, these reductions seem to make the most sense.

Let's discuss so we can move this to Bill Campbell as soon as possible.

/ra



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MARLBORO
1986 REVISED MARKETING
BUDGET
(\$ millions)

O TOTAL IDEAL BUDGET	- \$288.8
. LESS RENEWABLE MEDIA	- 2.0
. LESS IDEAL MEDIA	- 37.1
. LESS IN-STORE	- <u>9.7</u>
O TOTAL REVISED BUDGET	\$240.0

O 1986 PROJECTED UNIT VOLUME	- 136.4 BILLION
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	<u>\$</u>	<u>PER M</u>	<u>% SALES</u>
O SALES REVENUE	4,465	32.73	-
O MARGINAL CONTRIBUTION	2,387	17.50	53.5%
O DIRECT MARKETING	<u>240</u>	<u>1.76</u>	<u>5.4%</u>
O NET CONTRIBUTION	2,147	15.74	48.1%

O 1986 VS 1985 NET CONTRIBUTION	-	+\$258.9 OR +13.7%
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MARLBORO RECOMMENDED
1986 BUDGET REDUCTION

- o RENEWABLE MEDIA - total yield \$2.0 million
 - Cut production budget from \$13.0 million to \$11.0 million - yield \$2.0 million net
- o IDEAL MEDIA - total yield \$37.1 million
 - Eliminate ROP reserve - yield \$26.6 million net
 - Eliminate additional supplement insertions - yield \$2.7 million net
 - Eliminate Sports Monday expansion - yield \$1.7 million net
 - No additional men's magazines - yield \$2.3 million net
 - Reduce specials from 3 to 2 - yield \$2.8 million net
 - Reduce production from \$3.0 million to \$2.0 million - yield \$1.0 million net
- o IN-STORE - total yield \$9.7 million
 - Produce corduroy hat overseas - yield \$1.0 million net
 - Use existing Red Roof lighter for two-pack - yield \$2.5 million net
 - Move MCM Cassette to April and postpone Sports Gear until 1987 - yield \$6.2 million net

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